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Reorganizing government :
the reform debate in perspective

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**REORGANIZING GOVERNMENT:
THE REFORM DEBATE IN PERSPECTIVE**



Gerald Schmitz
Political and Social Affairs Division

January 1994



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REORGANIZING GOVERNMENT: THE REFORM DEBATE IN PERSPECTIVE

INTRODUCTION: APPROACHING THE QUESTION OF PUBLIC SECTOR REFORM

Government is not working as it should. That appears to be the consensus of most outside government, and is shared even by many within it. Discontent has been focused on unresponsive politicians and distant bureaucrats. Much of it implicates the "system" generally and its alleged "wasteful" spending habits. In a report (*Making Government Work*, June 1993) advocating immediate reforms, the Public Policy Forum cited a 1990 public opinion survey in which 95% of respondents agreed that significant changes were required to the institutions of parliamentary government. Despite several decades of administrative reviews and frequent organizational shifts, the demand is stronger than ever for government to be more democratic and more cost-effective in how it serves the public.

The malady of expensive unresponsive government seems clear enough. Yet the remedies are likely to be much more contested, and difficult to apply even when there is political will to do things differently. Some analysts see valuable lessons in the experiences of large private firms which have had to restructure and innovate to become more competitive, more attuned to their employees and their customers. Yet fundamental differences between public and private sector organizations may limit the usefulness of such comparisons. What precisely does it mean to "reinvent" government and to put public service activities on a frugal "entrepreneurial"-basis? Can public-sector entrepreneurship that is driven by economic concerns be made compatible with the requirements of democratic accountability and calls to democratize the policy process? This is a theme taken up later in this paper, and also in the companion Library of Parliament Background Paper 375E, by Brian O'Neal, which deals more specifically with attempted innovations in civil service management.



Before proceeding to that level, there is first the distinctive Canadian context of federal parliamentary government to be considered in order for proposed reform and reorganization solutions to have legitimacy as well as realistic chances for success. Change is much easier to effect in certain areas of our national governmental environment than in others. Form and process are also extremely important in making government decisions (especially in a constitutional democracy which upholds the rule of law), whereas cost-benefit results are the overriding determinant of the business bottom line.

Canadians hardly need to be reminded of the frustrations involved in achieving constitutional change. Nonetheless, issues of constitutional jurisdiction and intergovernmental negotiation cannot be avoided when it comes to deciding the appropriate roles of the federal government, how it should work with other governments, how duplication should be minimized, which level of government is best suited to deliver which services, etc. Take, for example, the case of proposals for national educational standards or training programs to boost Canadian competitiveness. Parliamentary government also operates according to certain traditions and constitutional conventions. While these can be modernized and adapted in practice, they cannot simply be brushed aside whenever reasons of efficiency or expediency might warrant.

Issues of philosophy and ideology are also central. The public sector has evolved into a vast enterprise comprising hundreds of organizations large and small. Reformers need to ask a number of questions related to their proper size, scope, purpose and function. Should government be doing more or less of some activities? Should it be doing certain things at all? What are the key goals of public policy and the public service? Should government be directly doing the regulating, funding, and operating, or should it work through market incentives and arrangements as much as possible?

The political complexion of government does not turn only on such large policy issues. The personal approach of each prime minister remains a big factor in our present Cabinet government system. Regional and linguistic representation at the centre are highly symbolic concerns in a country like Canada. Another often sensitive matter is how to handle the inescapable facts of patronage and political appointments. This raises the issues of standards of ethics and integrity in government, what rules and procedures are to be followed, and how fair the public perceives governmental processes to be.

Within a "good government" agenda there are also issues of organization *per se* that can be crucial to governmental effectiveness. How should the Cabinet be structured? How should ministers work with their Cabinet colleagues, their officials, Parliament and the public? How should policy and operational functions be assigned and departments structured to perform them? What systems are in place to control public spending and the activities of government agencies and corporations? As the authors of *Making Government Work* affirm: "We do not believe that good process automatically guarantees sound policy, but we are sure that sound policy is seldom the result of bad process."

These issues lead back to the onus on government to make credible efforts towards realizing goals of both efficiency and democracy. Given the magnitude of debt and deficits, no government can ignore economic exigencies, "value for money" criteria, lesser cost options and alternatives to existing practices. At the same time, as Tim Plumptre points out, "government leaders pursue many goals in addition to that of efficiency."⁽¹⁾ And in doing so they must pay particular attention to questions of public accountability and participation. Responsible government in the 1990s requires new ways of relating governments to people as well as fiscal prudence.⁽²⁾

With those considerations in mind, the following pages concentrate on changes to the accountability, executive-parliamentary, and expenditure management systems of the Government of Canada. BP-375E documents previous efforts to achieve public administration

(1) Tim Plumptre, *Beyond the Bottom Line: Management in Government*, The Institute for Research on Public Policy, Halifax, 1988, p. 120.

(2) This is easier said than done of course. Bruce Doern observes that:

Accountability and economic efficiency are not concepts that instinctively or warmly embrace each other. (...) Political accountability is the antithesis of efficiency in the sense that accountability regimes consume time and resources in economically non-productive ways to ensure politically valued outcomes, namely the political rectitude and control of political leaders and institutions by the people (...) However... any set of accountability regimes now in existence can, in principle, be improved to make them more efficient... (*Political Accountability and Efficiency*, Discussion Paper, Series 93-20, Queen's University, School of Policy Studies, Government and Competitiveness Project, Kingston, 1993, p. 1-2.)

reforms, starting notably with the legacy of the Glassco and the Lambert Royal Commissions. In the concluding section of this paper, the goals of efficiency, accountability and democracy are juxtaposed, with the intent of bringing out some of the challenging choices and potential trade-offs involved in taking systemic reforms to the next step.

THE MEANING OF MINISTERIAL RESPONSIBILITY IN THE 1990s

The classical conception of parliamentary government is under siege. Its essence is that a Cabinet of ministers drawn from (though not exclusively) the elected House of Commons⁽³⁾ holds the reigns of government as long as it enjoys the confidence of the elected chamber. The Cabinet as a whole is collectively responsible to Parliament in this sense. As well, each minister, who is appointed to the privy council at the discretion of the prime minister, is held individually responsible to Parliament for everything within government that comes under his or her authority.

This conception has the merit of very clearly locating political responsibility for the conduct of government in a relatively small group of ministers of the Crown, with the prime minister at the "apex of power."⁽⁴⁾ The buck stops at the Cabinet's door, where all of the lines of authority and accountability converge. The House of Commons is divided between supporters of the ministry and a "loyal opposition," which may present itself as a sort of alternative government-in-waiting. But the Commons itself does not attempt to govern. It must approve the fiscal and legislative program of the government. It ought to hold ministers to account for **their** responsibilities. And it may try to influence policy and to improve legislation. These are all parliamentary functions, however, undertaken in an intrinsically adversarial and partisan arena. They are not government functions as such. As for the bureaucracy, it is expected to

(3) A few appointed Senators have been included in Cabinets, for example, as government leader in the upper house or when the governing party lacked elected representation in a region. On occasion someone from outside Parliament may be appointed to Cabinet, but will be expected to seek election in a constituency at the earliest opportunity.

(4) The phrase is from Thomas Hockin, *Apex of Power: The Prime Minister and Political Leadership in Canada*, 2nd edition, Prentice-Hall, Scarborough, 1977.

be politically neutral in itself, but to serve the government of the day loyally and anonymously. The civil service is accountable to Parliament only indirectly through ministers.

Yet this traditional hierarchical scheme of things seems anachronistic and no longer persuasive to many if not most observers, especially when it comes to controlling the vast array of activities of contemporary government, which employs hundreds of thousands of people and spends hundreds of billions of dollars. The nature of the bureaucracy (the "permanent" government) has changed radically, it is argued. The administrative side of government is now a hugely complex organizational system which runs according to many of its own professional rhythms, norms and interests. It is not simply a meek servant to ministerial direction. Officials have become as much the object of an expanding lobbying industry as the politicians in whose hands the ultimate decision-making authority nominally rests. As one critic concludes: "Democracy is ill served by a deliberate obstruction of the location of power and responsibility by reference to a constitutional fiction; it is well served by a realistic understanding of bureaucratic interest group politics which defines the administrative state."⁽⁵⁾ Given the power of professional bureaucracies, it is certainly debatable whether democratic reform of the state can be accomplished adequately through the traditional "Westminster" model of "top-down" accountability or, whether there is also a need for "bottom up" processes of accountability directly involving the public and citizens' groups.⁽⁶⁾

Even as articulate a defender of the classical view of Cabinet responsibility as Sharon Sutherland admits: "Canadians seem particularly willing to accept that the doctrine of ministerial responsibility has mostly outlived its application to modern political life."⁽⁷⁾ But, she argues, this is not because government has changed so much as to make no longer valid the idea that the buck should stop at the minister's door. Rather, she suggests, the principle has been allowed to be weakened and devalued, so that it is no longer as reliable and effective an

(5) Ken Rasmussen, "Democracy and Bureaucracy in Canada: An Historical Overview," paper prepared for the annual meeting of the Canadian Political Science Association, Kingston, June 1991, p. 31.

(6) For perspectives defending and challenging a "control from above" approach, see: Sharon Sutherland and Bruce Doern, *Bureaucracy in Canada: Control and Reform*, University of Toronto Press, Toronto, 1985; Gregory Albo, David Langille, and Leo Panitch, eds., *A Different Kind of State? Popular Power and Democratic Administration*, Oxford University Press, Toronto, 1993.

(7) Sharon L. Sutherland, "Responsible Government and Ministerial Responsibility: Every Reform Is Its Own Problem," *Canadian Journal of Political Science*, Vol. XXIV. No. 1, March 1991, p. 91.

instrument of democratic control as it should be. There is nothing wrong with seeking to empower Parliament to do a better job of scrutinizing the actions of government, or to experiment with extra-parliamentary forms of enhancing public accountability. In Sutherland's view, however, there is no good substitute for strong political accountability through ministers. Reforms to the workings of parliamentary government that underestimate this may create more problems than they solve, she argues.

Some of the reforms in question have been associated with the widely shared goal of giving ordinary MPs more power *inside* the "loop" of responsibility, rather than remaining mere bystanders in a talking shop. This raises sensitive issues of party discipline and of shifting the power balance between the executive and the legislature that have never been fully resolved. Coincidentally, in recent decades there has been a strong movement to modernize parliamentary-based government in order to equip politicians, both in the executive and legislative branches, to deal more effectively with the problems of "big government." Much of the thrust for this on the expenditures side has come from the rapidly growing office of the Auditor General (OAG), which reports directly to Parliament.

Since 1977, the OAG has been able to move on a far broader range of "value for money" concerns than was the case during Canada's first century. Since then as well, studies focusing on financial accountability matters have tended to support the OAG's more aggressive approach. The idea of greater parliamentary control in this area has found a sympathetic hearing, especially among backbench parliamentarians who have felt marginalized by executive-bureaucratic dominance of policy and spending decisions. Reflecting longstanding frustrations, parliamentary reformers have sought to rehabilitate the role of the private member, and to assert the legislature's accountability functions through new ways of relating to government and the bureaucracy. It is unclear whether MPs' ongoing concerns can be successfully accommodated in the sweeping reforms promised by the Chrétien government for the 35th Parliament early in 1994 -- notably those in regard to parliamentary committees' roles in the development of legislation and in relation to the expenditure budget.⁽⁸⁾ The new strengthened standing committee structure, which eliminates the special legislative committees established by the

(8) For some pertinent observations and suggestions of how to proceed in this next prospective stage of reform, see F. Leslie Seidle, "Interest Advocacy through Parliamentary Channels: Representation and Accommodation," in Seidle, ed., *Equity and Community: The Charter, Interest Advocacy and Representation*, The Institute for Research on Public Policy, Montreal, 1993, esp. p. 206-9.

previous reform phase, was only just announced at the time of writing.⁽⁹⁾ Time will tell if this is an improved system that can meet the expectations it will raise, among the public, as well as among parliamentarians themselves.

Details of previous reform developments in regard to expenditure management and executive-parliamentary relations are described in other Research Branch publications, and so will not be repeated here.⁽¹⁰⁾ A few highlights, however, deserve mention. In particular, spurred by the Auditor General's complaints about poor controls over spending, the Lambert Commission recommended a comprehensive accountability regime that would "make the managers manage," with the guidance of continued central direction, and within a system of strong parliamentary supervision. This system attempted to draw a rational distinction between the "political" accountability of ministers and the "administrative" accountability of deputy heads of departments. Specifically, senior mandarins were to be held accountable not only to ministers and the central management agencies, but also separately and directly to Parliament, through the House of Commons public accounts committee, for "performance of specific and assigned duties."⁽¹¹⁾

The Lambert proposals seemed to draw their inspiration from the British practice of senior departmental "accounting officers" who are vested, by law and convention, with responsibility for the proper administration of financial accounts. These officers answer to the public accounts committee of the British House, and if they are overruled by ministers, this must be recorded and reported to the committee. However, as Sutherland points out, the officials' responsibility is quite narrowly circumscribed and governed by two overarching principles: "that the minister is responsible for all management and organization, and that all officials derive their authority from ministers and are accountable to them." In other words, the British example

(9) James Hrynyszyn, "Empowering Backbench MPs: Standing Committees to Get More Power," *The Hill Times*, 27 January 1994, p. 1 and 5.

(10) See Gerald Schmitz, "New Directions in Executive-Parliamentary Linkages," BP-110E, Library of Parliament, Research Branch, Ottawa, 1984. For parliamentary reforms to the present see J. Stilborn, "House of Commons Procedure: Its Reform," CIR #82-15E, Research Branch, Library of Parliament, Ottawa.

(11) Cited in A.W. Johnson, *Reflections on Administrative Reform in the Government of Canada 1962-1991: a Discussion Paper*, Office of the Auditor General of Canada, Ottawa, 1992, p. 12.

supplements, but appears not to subtract from, the doctrine of individual ministerial responsibility.⁽¹²⁾

Apart from stretching the British concept, the notion that Canadian deputy ministers (i.e., the bureaucratic leadership of government) ought to be held individually and directly responsible to Parliament for broad areas of administration assigned to them rests on some shaky premises: that "administration" is clearly separable from policy functions and political decisions; that bureaucratic responsibility alone is required in cases of alleged bureaucratic errors or failings; that separate lines of responsibility to Parliament do not compromise the necessarily confidential and fiduciary relationship between the minister and his or her deputy. Unsurprisingly, therefore, the Lambert recommendations did not convince the Privy Council Office of the day and were never adopted. Many senior officials dismissed them as betraying a basic misunderstanding of the principles of Cabinet government.⁽¹³⁾ Others criticized Lambert for a naive expectation that parliamentary bodies would put aside politics and partisanship in favour of an accountants' eye-view scrutiny of management processes and decisions.

Despite the scepticism which greeted Lambert, the idea of separate and distinct bureaucratic responsibility to Parliament was kept alive by the enthusiasm of successive Auditors General and of some parliamentary reformers. In 1982 the Auditor General told the House of Commons Special Committee on Standing Orders and Procedure: "I think it is no longer really feasible or practical or desirable that [the minister] assume responsibility for decisions and actions that are carried out by public servants."⁽¹⁴⁾ Members of that committee subsequently formulated radical proposals for a new system of accountability-related committees to oversee government operations and expenditures. Although not acted upon, these ideas set the stage for the untraditional view of responsibility contained in the 1985 landmark report of

(12) Sutherland (1991), p. 98ff. However, the inevitable tension between the pressures to retain political accountability through ministers, and at the same time to reap the promised benefits from increasing managerial freedom, remains a key matter of contention in Britain. See BP-375E, Section B.1.

(13) See the observations in Donald Savoie, *The Politics of Public Spending in Canada*, University of Toronto Press, Toronto, 1990, p. 131-32.

(14) Cited in Johnson (1992), p. 13.

the Special Committee on the Reform of the House of Commons. The McGrath Report was blunt in stating:

A minister cannot possibly know everything that is going on in a department. The doctrine of ministerial accountability undermines the potential for genuine accountability on the part of the person that ought to be accountable -- the senior officer of the department. (...) In ⁽¹⁵⁾this context administration includes policy implementation.

This potentially sweeping reinterpretation of bureaucratic responsibilities resulted in rather more modest and incremental changes in practice. Parliamentary committees were given greater powers and independence which could be used to pursue matters within departments. Ministers were urged to make officials available when asked to testify by committees. However, in 1987 the PCO issued a pointed reminder to public servants that "they attend committees with permission of the minister and that their loyalties are with the minister's interests."⁽¹⁶⁾

It is, moreover, hard to imagine how a parliamentary inquiry into civil service actions that produced a negative account would not also reflect badly on the minister's management of the department and on the government as a whole. Indeed, precisely such problems began to emerge, and were only exacerbated when officials were perceived as being fingered unfairly and "hung out to dry" in public proceedings. The most notorious case was the 1991 "Al-Mashat affair" in which the Commons external affairs committee conducted a heated post-Gulf war investigation of why a former Iraqi diplomat had been allowed to settle in Canada. In the process several reputations were damaged but little satisfaction was achieved.⁽¹⁷⁾ Commenting on this case, the new minister responsible for public service renewal, the Hon. Marcel Massé, has argued that it flouted the principle of ministerial responsibility. His

(15) Quoted in Sutherland (1991), p. 109.

(16) S.L. Sutherland and Y. Baltacioglu, "Parliamentary Reform and the Federal Public Service," National Centre for Management Research and Development, University of Western Ontario, London, 1988, p. 15.

(17) Sutherland (1991), p. 114 ff., documents some earlier episodes and baneful consequences.

conclusion: "It is neither desirable nor appropriate, in a parliamentary system of government, to have officials dragged into public controversy."⁽¹⁸⁾

This does not mean, of course, that senior public servants are unaccountable or not answerable to Parliament. In fact, as Figure 1 shows, deputy ministers are continually on notice within a complicated web of accountability relationships, some of which are probably best left informal. Deputies do have an obligation to assist Parliament and its committees in understanding departmental policies and operations. They ought to be able to answer to Parliament for the administration of programs. But this duty becomes problematic as well as perverse if it is used to shift the political heat away from ministers, who must remain fully responsible for the overall functioning of their departments.⁽¹⁹⁾

By keeping accountability relationships in proper perspective, with responsible ministers always at the end of the line, the unavoidably grey areas between the political and the administrative aspects of policy and government decisions should not be a great cause for concern. The reason is that the sheer size and complexity of government cannot then be used as an excuse to evade **political** responsibility for redress when things go awry or performance is unsatisfactory. As Sutherland states:

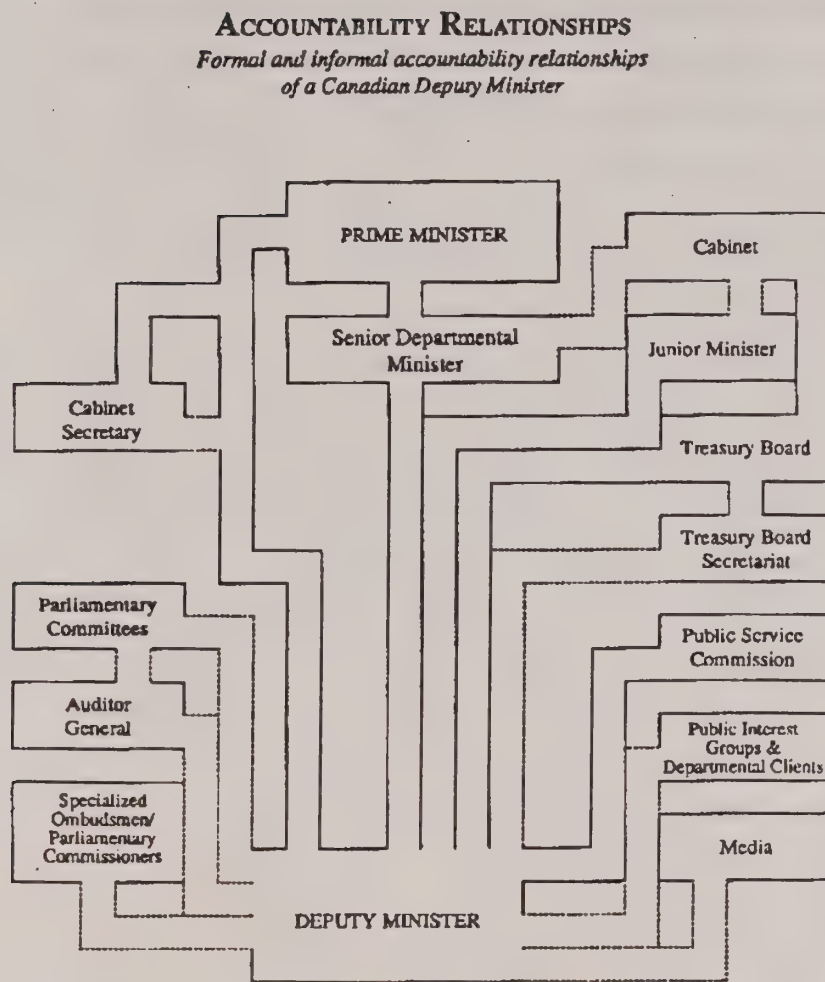
The system is designed so that it does not need to matter much to the citizen whether an official or the minister made a decision for which a minister can be responsible in a legal and political sense but not in a personal moral sense, or even whether events as opposed to actors created a "decision". In making everything the minister's, everything can be reopened. ... It is thus through the minister that the democratic loop of accountability to the electorate is closed.⁽²⁰⁾

(18) Marcel Massé, "Getting Government 'Right'," Notes for an address to the Public Service Alliance of Canada, Montreal, 12 September 1993, p. 7.

(19) See Gordon Osbaldeston, *Keeping Deputy Ministers Accountable*, National Centre for Management Research and Development, University of Western Ontario, London, 1988; Plumptre (1988), esp. Chapter Six; Johnson (1992), p. 13-14.

(20) Sutherland (1991), p. 120.

Figure 1



BEYOND THE BOTTOM LINE (1988)

Solid lines denote formal relationships, usually embodied in legislation.
Dashed lines denote informal relationships. Depending upon the issue and the
circumstances, some informal relationships may be more important than some formal ones.

Source: Timothy W. Plumptre, *Beyond the Bottom Line*, The Institute for Research on Public Policy, Halifax, 1988, Exhibit 5-1, p. 152.

If adequate political controls over the bureaucracy are lacking, then that should be addressed directly, rather than by setting up elaborate systems (or parallel bureaucracies) in which politicians' and managers' roles are blurred, responsibility becomes diffuse, and everyone is tempted to second-guess or pass the blame to someone else. Parliamentary reform, in this view, should support not subvert the objectives of holding ministers responsible for what government does. Because parliamentary bodies are inherently political and normally divided by party, they should not be expected to function as if part of a theoretically more rational management regime. How, for example, would they, as a logical consequence, share responsibility for government outcomes?

Between the extremes of adversarial politics and rational management, there is ample ground to be explored, however. MPs can be given opportunities to participate creatively, earlier and more often in policy development, and perhaps too, to have better input into a more transparent expenditure budget process. Confidence conventions can be relaxed so that government members are freer to vote on legislation in accordance with their constituents' wishes. But most important of all is to sharpen the techniques whereby political ministers can truly be responsible and held accountable for the myriad activities of modern government.⁽²¹⁾

Paradoxically, parliamentary government would break down if Parliament itself were to try to run the government, competing with cabinet and senior officials in a mish-mash of responsibilities. Rather, the political and management challenge is to clarify and strengthen the longstanding accountability relationships, with, at the centre of the system, the political executive acting as the crucial bridge between the bureaucracy, parliament, and the interests of citizens as a whole. If the democratic executive is unable (or unwilling) to discharge these responsibilities effectively, then no amount of either parliamentary freedom or management theory is likely to improve the performance and responsiveness of government.

RESTRUCTURING THE EXECUTIVE "POLITICAL MANAGEMENT" SYSTEM

The single most important actor in the Canadian system of government is the prime minister, who, as "first among equals," presides over the ministry that is collectively and individually responsible to Parliament. The size of Cabinets, their internal structures and

(21) Sutherland and Baltacioglu (1988), provides an excellent exploration of the dilemmas facing parliamentarians in efforts to control government.

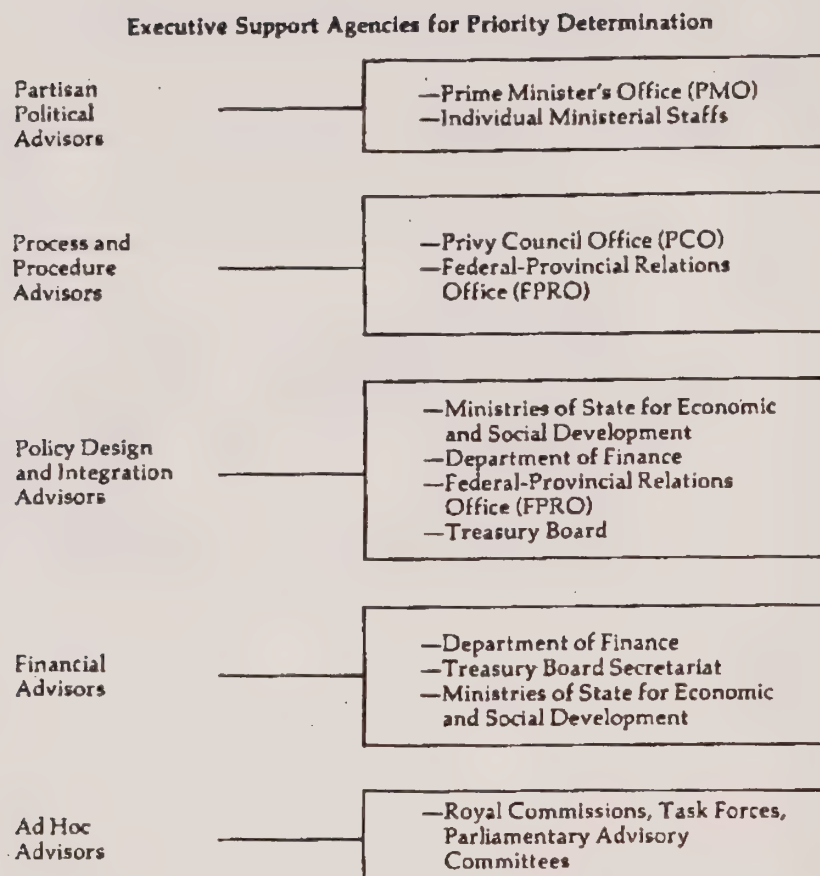
processes, the division of labour among policy portfolios, and therefore the structure of government itself, are all pre-eminently matters of prime ministerial judgement. Cabinet-making is a political art not a management science. Important factors other than bureaucratic logic or efficiency -- such as representative balance (region, gender, etc.) and personal/political compatibility -- will and should enter into these decisions. The result, therefore, always remains fluid. Lessons can be gained from the experience of previous Cabinets, but there is no textbook recipe to follow.

The historical evolution of the Cabinet, and of the supporting executive and central agency structures advising it, has been analyzed in several previous Research Branch papers.⁽²²⁾ Figure 2 indicates how extensive the institutions of political management had become by 1984. Perhaps the most important observation is that by this time the system had grown to be extremely complex and unwieldy even in the eyes of many participants. It promised rationalistic management, but delivered more competition than ever among ministers, deputies and "superbureaucrats." The full Cabinet had become too large to be able to transact business effectively, and in fact rarely met even on a *pro forma* basis. Most decisions were delegated to an elaborate system of Cabinet committees whose job it was to manage the government's principal policy and expenditure "envelopes."

Real power, however, was concentrated in a single committee "Priorities and Planning" (P&P) chaired by the prime minister. Briefly, under Joe Clark, this distinction between more and less powerful ministers was formalized, with P&P becoming the "inner Cabinet." Even this central committee of ministers soon grew too large, however, (at 15 or more members) to be much more than a broad agenda-setter. In practice, major spending decisions were controlled by the prime minister and a handful of key ministers, in particular, the "guardians" over the public purse: the minister of finance, responsible for the overall fiscal framework, and the president of the Treasury Board, responsible for the detailed expenditures approval process.

(22) Wolfgang Koerner, *Cabinet Committees: Restructuring the System*, BP-106E, Library of Parliament, Ottawa, February 1989, and Brooke Jeffrey, *Central Agencies: Redefining Their Role*, BP-107E, Library of Parliament, Ottawa, December 1984.

Figure 2



Source: Richard Van Loon, "Kaleidoscope in Grey: The Policy Process in Ottawa," in Michael Whittington and Glen Williams, eds., *Canadian Politics in the 1980s*, 2nd Edition, Methuen, Toronto, 1984, Figure 19.4, p. 419.

Within this multilevel Cabinet system, in addition to the departmental ministers, there were after 1980 two "ministries of state" attached to two of the largest program spending envelopes: one for "social development" (MSSD), and one for "economic and regional development" (MSERD). And even before proposals made their way to the relevant cabinet committee, they were supposed to be run through a parallel structure of so-called "mirror committees" of deputy ministers. All in all, the process -- in which formal "collegiality" mixed uneasily with informal dealmaking -- was very time-consuming and often frustrating for line department ministers.

A significant streamlining took place under the brief Turner prime ministership, when the ministries of state and the mirror committees of officials were abolished. These changes carried over into the first Mulroney Cabinet.

A number of other modifications were made to the Trudeau-era structures in order to simplify the system.⁽²³⁾ Even so, with a huge government caucus, the Mulroney Cabinet also became the largest in Canadian history, at 40 members. More importantly, after a long period in opposition, and perhaps given their more private-sector orientation, many of the new ministers were suspicious of the bureaucracy they inherited. The result was a beefed-up political support group attached to Cabinet, which interposed itself between the ministers and the mandarins. It started at the top with a much-expanded Prime Minister's Office (PMO) and spread to large ministerial political staffs headed by a highly-paid "Chief of Staff."

The verdict of government watchers is virtually unanimous that this arrangement, founded on mistrust, did not work well. This is the case even though the planning that took place for the 1984 federal transition has been described as never having been "more comprehensive or more effective."⁽²⁴⁾ Bourgault and Dion observe that from Confederation until 1984 "there were no noticeable increases in the number of departures and appointments of deputy ministers in the two years following the election of a new government." After 1984, "the

(23) For a complete description see Ian Clark, "Recent Changes to the Cabinet Decision-Making System," *The Cabinet*, updated Autumn 1986.

(24) John Manion and Cynthia Williams, "Transition Planning at the Federal Level in Canada," in Donald Savoie, ed., *Taking Power: Managing Government Transitions*, The Institute of Public Administration in Canada and the Canadian Centre for Management Development, Ottawa, 1993, p. 104.

high mobility of deputy ministers more or less paralysed their power until 1987." The "extensive power granted to ministerial offices aggravated the difficulties usually associated with a period of transition." Inexperienced partisan policy advisors interfered inappropriately and got in the way of "the indispensable cooperation which must be established between ministers and senior civil servants."⁽²⁵⁾ The situation deteriorated to the point where, ironically, a career public servant, Derek Burney, was recruited to take charge within the PMO and restore stability to the executive ranks.

Bourgault and Dion outline two essentially different models of how Cabinets and senior bureaucrats relate to each other. What they term the "hierarchical" model leaves no doubt that the politicians run the show. In the U.S. case, the upper levels are very politicized. An incoming administration is expected to bring in its own political friends and allies. In European cases, the recruits are more likely to be from among the administrative élites. But the key point is that ministers choose the top personnel. By contrast, in the "triangular" model it is expected that ministers, aided by small political staffs, will develop a cooperative partnership with their senior officials, who are career civil servants. This is the British "Whitehall" system which also became part of the parliamentary government tradition in Canada and Australia. The popular BBC series "Yes, Minister!" notwithstanding, such a system does not mean that mandarins run the show, with ministers as mere passing figureheads. It does mean that departmental expertise and advice normally weigh heavily in ministers' decisions, and that a relationship of trust is important to cultivate on both sides.

The first Mulroney Cabinet severely strained that established pattern at the same time as there was a large shift underway from Trudeau-style institutionalized and central-agency dominated Cabinets back towards more direct departmental accountability. Both were factors in destabilizing the public service.⁽²⁶⁾ And as Bourgault and Dion observe, added

(25) Jacques Bourgault and Stéphane Dion, "The Minister, the Deputy Minister and the Chief of Staff: The Difficult Reconciliation of the Ménage à Trois," paper prepared for the annual meeting of the Canadian Political Science Association, Victoria, May 1990, pp. 6, 18, and "Abstract."

(26) On the latter, see the comments of Donald Savoie, "Conclusion: Lessons Learned," in Savoie (1993), p. 217-18. More generally, these are lessons that apply to provincial government experiences as well. Compare the observations of Allan Blakeney and Sandford Borins, *Political Management In Canada*, MacGraw Hill Ryerson, Toronto, 1992.

parliamentary attention to the government's problems with the bureaucracy only exacerbated an unhappy, almost adversarial, atmosphere within the executive system.

Deputy ministers were increasingly summoned to appear before parliamentary committees to defend the management of their departments and the soundness of their advice to ministers. High-ranking bureaucrats had the feeling that the government was trying to put responsibility for the departments on their shoulders, and the true purpose of reform was to give the many restless MPs something to do.⁽²⁷⁾

The second-term Mulroney Cabinet (1988-93) promised, if not a less politicized relationship with the senior bureaucracy, at least a much tighter ship in terms of managing that relationship and controlling its own operations. Although "P&P" ballooned to 19 members, the real nerve-centre of Cabinet was a much smaller eight-member "Operations Committee" chaired by the Deputy Prime Minister Don Mazankowski, formalized as part of the Cabinet machinery. The new system was perceived to focus the political command structure more directly on the prime minister and a few trusted ministers around him. Jeffrey Simpson argued that "Mr. Mulroney has adopted the British cabinet model with its strict hierarchies. Far from being a cabinet of equals ... it now has sharply delineated grades of importance."⁽²⁸⁾

In fact, important differences remained. Junior ministers were still full members of a 39-member Cabinet, quite unlike the UK government with its many more ministers but much smaller Cabinet. And large political staffs persisted. By any comparative measure, the Canadian Cabinet structure was bloated and cluttered by formalized committees (as many as 15 in 1989, later reduced to 11). Expenditure control objectives had meant adding yet another committee, not reducing the number of spending ministers. In Britain, where the internal workings of Cabinet are secret, even among ministers, there is simply little scope for using committee politics to jockey for Cabinet position. Ministers are expected to focus on their own responsibilities, not to "play" the system for influence.

(27) Bourgault and Dion (1990), p. 18.

(28) Quoted in James Simeon, "The British and Canadian Cabinet Systems: Cabinet Decision-Making under Prime Ministers Margaret Thatcher and Brian Mulroney," paper presented to the annual meeting of the Canadian Political Science Association, Victoria, 1990, p. 2.

In the 1990s, there continued to be growing pressure in Canada for a leaner style of Cabinet organization commensurate with the government's commitments to "downsize" government as a whole. This was understood to be part of the mandate given to then Secretary of State Robert de Cotret when he was asked by the prime minister in 1992 to undertake a confidential review of government operations with a view to streamlining them. Former Privy Council Clerk Gordon Osbaldeston, who became an advisor to De Cotret, was known to be a strong advocate of small Cabinets and clear ministerial accountability relationships. By 1993 a large consensus was also in favour. But how to achieve it?

An important study of government organization headed by Osbaldeston indicated that it would have to start at the top, by resisting the "pressures for representation" which had swollen the P&P committee to a size greater than that of the entire Cabinet in Canada's early decades. Politicians interviewed for the study "agreed that there are too many ministers, too many organizations, and generally too much complexity."⁽²⁹⁾ Because of the growth of vested interests, a lot of prime ministerial political will would likely be required to prune the system to achieve clarity and focus.

In addition to discipline at the apex of the system, Osbaldeston addressed the issues of how to go about organizing government better in order to meet contemporary needs and priorities. Here he was more cautious, given the "less than edifying" experiences with past reorganizations. Noting that attractive changes on paper may take a long time to implement and be costly and disruptive, he has suggested three practical "rules to live by" when contemplating government restructuring:⁽³⁰⁾

1. "Resist proposals to reorganize unless you are certain that the benefits of the proposed change outweigh the costs." This means doing the advance homework and taking into account the time, energy and resources consumed in organizing activities. Any moves should be justified by studies indicating they will bring clear long-term net benefits to government functioning.

(29) Gordon F. Osbaldeston, *Organizing to Govern*, Vol. II, McGraw-Hill Ryerson and National Centre for Management Research and Development, University of Western Ontario, Toronto, 1992, p. 144.

(30) *Ibid.*, p. 144-47.

2. "If you must reorganize, think through the design and implementation before launching the change." This may prove difficult to do if potential moves are shrouded in cabinet secrecy. However, before matters reach the stage of final political decision, ways should be explored to solicit wider consideration of options and to get expert advice. Osbaldeston lists as possibilities: a major public commission; a permanent advisory body "perhaps bridging the private and public sectors"; work by independent think-tanks. Moving into a preparatory stage, advance "implementation teams" could be set up.
3. "Select change agents carefully, and support them during the change." Not only should there be a plan in place beforehand, key personnel should also be identified who are capable of implementing the plan. They should be supported during the organizational phase by clear guidelines and authority.

Of course, any significant restructuring of the executive system is driven by political considerations as well as a search for a "best" management solution, if such exists. The two major Cabinet-making exercises of 1993 reflected some similarities but also important differences in the approaches and situations of Prime Ministers Campbell and Chrétien. Each had an interest in projecting the image of system-wide change towards a leaner, more innovative and performance-oriented structure. Under Campbell, Cabinet was reduced to 25 members, Cabinet committees to five, and government departments to 23. The Priorities and Planning committee was eliminated in favour of restoring the full Cabinet, meeting on a regular weekly basis, as the central decision-making forum.⁽³¹⁾

The Chrétien transition managed an even smaller cabinet size, despite the obvious pressures of a large regionally-inclusive national caucus. However, this was only accomplished by adapting the British practice, formally distinguishing between Cabinet (23 members) and a larger ministry (31 members) which included eight "secretaries of state" with lesser portfolio responsibilities. Campbell, having abolished minister of state positions, had fewer ministers. But Chrétien went further to abolish the political "chief of staff" positions for all ministers and to trim the size of their offices. The Chrétien cabinet would also function without a separate

(31) Office of the Prime Minister, Press Release, 25 June 1993.

P&P committee, and would have just four committees in all (eliminating the Mulroney-created "Operations" committee and the Campbell-created "House Leader's" committee), whose memberships were not immediately announced.⁽³²⁾

Much of the June 1993 reorganization to consolidate operations within fewer departments suited the small size of the November cabinet and was left intact, at least for the time being. The most substantial and politically symbolic change was to cancel the controversial superministry of "Public Security," which was to have absorbed some immigration functions. Instead a new department of "Citizenship and Immigration" was created. More importantly for the future of government organization and reform, the Cabinet included a "Minister Responsible for Public Service Renewal," the Hon. Marcel Massé, a former Privy Council Clerk under the Clark government. The appointment signalled a more methodical and open approach to expected future changes.

Mr. Massé had criticized the previous reorganization as being suspect in both its secrecy and top-down artificiality, proceeding in all directions before having done what should be its first task -- namely, a fundamental reappraisal of federal roles and responsibilities in consultation with those affected. He indicated that only changes that "made sense" would become permanent, and that the impact of organizational change would be carefully assessed in future to ensure that implementation is done "fairly, with due concern for the public service and the individuals involved."⁽³³⁾

This is in line with recommendations made by the Public Policy Forum in June 1993; these emphasized maintaining the value of a professional non-partisan public service, and improving relations between the executive and the bureaucracy as well as with Parliament and the public. Such confidence-building measures were deemed necessary to restore a faltering faith in the institutions themselves. Moreover, a change in government can provide the ideal

(32) Office of the Prime Minister, Press Release, 4 November, 1993. Commenting favourably on the option of a two-tier structure, Leslie Seidle has noted "precedents for this cabinet/ministry distinction: in February 1993, Premier Rae reduced the Ontario Cabinet from 28 to 20, while naming seven 'ministers without portfolio' to assist Cabinet ministers; in the United Kingdom, as of March 1993, 22 of the 88 ministers were in Cabinet." ("Reshaping the Federal Government: Charting the Course," *Policy Options*, July-August 1993, p. 28.)

(33) Massé (1993), p. 9.

opportunity to introduce them, suggested Forum chair, respected former deputy minister Arthur Kroeger.⁽³⁴⁾

In short, restructuring for reform is once again on everyone's lips, though hard experience shows there is no magic management mantra for a successful Cabinet process. Politics, including politics at the highest level, is a continuous balancing act, so that qualities of good process and good judgment may ultimately count for more than academic exercises in rationalizing systems and shifting structures. Turning to the subject of financial management, this political lesson applies equally to the accumulation of attempts to reign in government expenditures.

MANAGING AND CONTROLLING THE EXPENDITURE PROCESS

There is probably no other area of federal government management that has received more attention in recent decades than the expenditure budget process. It is a field strewn with studies and riddled with acronyms. It has also produced the highest levels of exasperation among the political-bureaucratic combatants and taxpaying spectators, in the face of record-setting budget deficits, past, present, and future. The evolution of systems-based reform is described in a previous Research Branch paper, and other sources give detailed contextual accounts.⁽³⁵⁾ Here it is possible to cover only a few highlights, indicating what has been put in place and where some of the major difficulties lie.

Since the 1960s there have been roughly three broad periods of reform, characterized by shifting balances in the degree of centralization or decentralization of controls, and in the degree of direct political responsibility versus reliance on bureaucratic management structures. The first, post-Glassco period laid the foundations of the modern system: powerful

(34) Public Policy Forum, "Making Government Work," released 23 June 1993.

(35) Cf. Schmitz, "The Expenditure Management System Revisited," BP-108E, Research Branch, Library of Parliament, Ottawa, 1989; Douglas G. Hartle, *The Expenditure Budget Process of the Government of Canada: A Public Choice--Rent-Seeking Perspective*, Canadian Tax Foundation, Toronto, 1988; Savoie (1990), Johnson (1992), p. 27-38; Patrick Grady and Richard Phidd, *Budget Envelopes, Policy Making and Accountability*, Discussion Paper, Queen's University, School of Policy Studies, Government and Competitiveness Project, Kingston, 1993.

"guardians" in a Finance department and a separate Treasury Board secretariat to carry out specialized planning and oversight roles; delegation of specific financial administration responsibilities to departments; expenditures presented on a program basis and rationalized by objectives; introduction of multi-year forecasts. By the early 1970s, "rational" budgeting systems were in place along with the "A-B-X" budget concept. The latter should have allowed savings (from an X budget review) to be applied to new or expanded programs (the B budget) while maintaining funding for the "A-base" of continuing programs. The emphasis, however, was still on the financial design and "how to" of managing more programs, not on restraint as a primary goal in itself. Indeed spending rose rapidly and once introduced few programs were ever terminated.

The second period of reform followed on alarm bells sounded by the Auditor General in 1976 that the government was close to "losing control" over its spending. He complained that while everyone was engaged in the complex budget game, no one was really in charge of policing the process, as a sort of chief accounting officer, ensuring that appropriate checks were in place and that government delivered "value for money." The Trudeau government responded by establishing the Lambert Royal Commission on Financial Management and Accountability, which like Glassco, had important private sector involvement. Initially the government tried to resist the Auditor General's campaign for an "Office of the Comptroller General". However, well before Lambert reported in 1979, the cabinet bowed to growing pressure and agreed to create this new expenditure management oversight agency within government. As well, the Office of the Auditor General was given new statutory powers to carry out comprehensive value-for-money auditing of programs, moving well beyond its traditional mandate of verifying the probity and economy with which money approved by parliament has been spent.

As indicated earlier, the Lambert report was not welcomed with any enthusiasm by the senior bureaucracy, which it wanted to make much more explicitly accountable within government for financial management objectives, as well as directly to Parliament, notably through the public accounts committee.

Lambert linked everything to strengthening what it regarded as the weak links in the "chain of accountability." One of the report's central recommendations was the adoption of

a long-term (five-year) "Fiscal Plan" which would be presented annually to Parliament and referred to a Commons standing committee on "Government Finance and the Economy." Essentially, Lambert wanted to see the spenders as well as the guardians, politicians generally as well as public servants, starting to take responsibility for managing the state of the nation's finances within a complete accountability system.

Although few of Lambert's specific proposals were actually implemented, the report did pave the way for a new Policy and Expenditure Management System (PEMS) to be introduced during 1979-80. Under this forward-planning system the Department of Finance was charged with preparing a multi-year fiscal framework to be approved by Cabinet's top policy-making committee. To achieve "rational decision-making," policy initiatives would have to be matched with resource requirements within the limits set out in the plan. Major areas of expenditure were grouped together within "envelopes" overseen by Cabinet policy committees whose task it was to determine how to live within the envelope's means. The two largest policy envelopes, for social development and economic and for regional development, were given ministry of state secretariats to help with this collegial "rationalization" of policy with expenditure decisions.

Essentially, ministers and their officials were supposed to sort out among themselves how to fund old and new programs within their envelopes under the constraints set by Finance and Treasury Board, but without appealing to a higher authority for extra money. There was to be an incentive, therefore, to create savings internally that could be applied to emerging priorities. (Envelopes were given "policy reserves" and could tap several operating reserves as well. But the former were typically very small and could even become negative. They could not substitute for either substantial expenditure reallocation or substantial new money.) The theory was that overall control could be exerted by forcing spending ministers to discipline themselves within an elaborate committee and central agency-driven system supervised by the financial guardians and presided over by the prime minister and "inner Cabinet." The practice was that PEMS operated at the diminishing discretionary margins of the budget process. As well, tax expenditures were never really integrated into the system.⁽³⁶⁾

Ministers, particularly less powerful ones, found PEMS to be excessively bureaucratic, time-consuming, unsympathetic and ultimately unrewarding. Successful ministers

(36) Grady and Phidd (1993), p. 34-5.

would still try to deal directly with Finance and through P&P on big items. The fiscal framework itself became very unreliable as a guide when forecasts were thrown far off base (notably on the deficit in the wake of the 1981-82 recession). Another rationalistic management plan on paper bowed to political realities. Indeed, why bother to play by increasingly complicated rules when political and unforeseen circumstances made theoretically rational outcomes anything but a sure thing? Moreover, as Savoie concludes, reflecting on this frustrated experience,

...the failure to cut government spending is not for want of a policy-making process and the machinery of government. The actual policy actors, their personalities, the capacity of ministers to work with their officials, the ability of some ministers to do "end-runs" on the system, and other such factors have a far greater impact on the government's expenditure plans than any well-reasoned policy process ever can.⁽³⁷⁾

Though the promise of PEMS reforms was quickly dimmed, they did usher in some major changes in how the government's expenditure "estimates" are presented to Parliament, resulting in the now familiar three-part format. Part I of the Estimates (usually tabled each February) is to give an overview of the fiscal framework and envelope shares. Part II details all the individual proposed program budgets which are appropriations to be voted by Parliament as part of the granting of "supply." The most important innovation was that of the "Part IIIs," introduced in the early 1980s to provide in-depth explanations and rationalizations of program spending by departments and agencies.

Once again, however, these elaborate and less than "user-friendly" documents have not turned out to be the decisive tools for reforming, much less reducing, expenditure on the basis of "rational, objective" evaluations of ongoing programs. The incentives have simply not been there, on either the parliamentary or the government side, for pursuing such rigorous exercises, even if the means existed to do them well, which is questionable in itself.⁽³⁸⁾ Though frank admissions of mistakes or failures are necessary to genuine evaluation, they are

(37) Savoie (1990), p. 70.

(38) See the sobering observations of Johnson (1992), p. 21-2 and 25-7; also citing the later agnosticism of the Canadian pioneer of program evaluations, Douglas Hartle.

unlikely to be forthcoming in public documents prepared by bureaucrats if the result is only to provide ammunition for adversarial politics.

Overall, therefore, Parliament's scrutiny of estimates still tends to be weak, episodic and perfunctory. In the early 1980s, parliamentary reform proposals influenced by the thrust of Lambert and the early promise of envelope budgeting envisaged a similarly complex network of financial accountability and spending oversight committees that would revive a substantive role for Parliament within the expenditure management process.⁽³⁹⁾ Yet these ambitions, too, faltered and never came to political fruition.

The third post-PEMS period of reform began in 1984, even before the Mulroney government took power. Under John Turner, the machinery of PEMS was reduced, eliminating the ministries of state and mirror committees of officials. Then under Brian Mulroney, while the structure of the envelope system remained, there was further political streamlining of the processes leading to and from Cabinet, signalling that it was ministers who were to call the shots. The bureaucrats and management systems were there to facilitate the minister's job, not vice versa.

The new government also decided to take a high-profile political approach to the evaluation of existing programs. A Ministerial Task Force on Program Review (MTF) was established under deputy prime minister Erik Nielsen. Nineteen study teams conducted reviews of program "families" (covering nearly a thousand programs in all; excluded, however, were defence, foreign aid, and public debt charges), which were then discussed with private sector advisory committees before being submitted to the MTF. When the Nielsen reviews were tabled in Parliament in 1986 they recommended one-time cuts to budgetary and tax expenditures totalling over \$7 billion.

The Nielsen exercise, however, was dogged by controversy and suspicion at every step. About \$500 million in spending reductions can be attributed to the efforts of the task force, but this does not take into account the cost of the exercise itself. For the mountain of paper produced, very little came of most of the recommendations. Savoie quotes the verdict of a senior official who was directly involved: "Virtually all the programs reviewed are still in

(39) For more details, see Schmitz (1984), esp. p. 12-13.

place and virtually intact. In fact, since 1984 we have added many more new programs than we have done away with."⁽⁴⁰⁾

The second-term Mulroney government left behind these largely counterproductive exercises and moved as well to dismantle PEMS. The expenditure management process was significantly re-centralized. Finance would have a strong hand. All spending would have to be approved by P&P and Treasury Board. Two small senior Cabinet committees -- a formalized "Operations" committee and a new "Expenditure Review" committee (ERC) -- would control the flow. According to several observers:

"Ops and Chops" working together, were effective gatekeepers in the policy-making system. A new proposal had to get by "ops" to get on the Cabinet agenda, and if the proposal required additional spending it also had to get through "Chops". ... While "Chops" was helpful in blocking new spending, it was less successful in identifying cuts in spending.⁽⁴¹⁾

This top-down machinery was then adapted to suit the working relationships among key ministers. When Deputy Prime Minister Don Mazankowski became minister of finance in 1992, the ERC which he had usually chaired became sidelined, until it disappeared altogether in January 1993. However planned, the Budgets of the early 1990s were all marked by a series of ostensible cost control measures, *inter alia*: caps and freezes on programs and transfers; moves to contracting out and cost-recovery of government services; wage freezes and rollbacks for employees; a "*Spending Control Act*" and "Debt Service and Reduction Fund" (to which GST revenues were to be applied); abolition of some agencies; successive year cuts to departmental operating budgets.

Although this agenda of expenditure reform/reduction was clearly directed by and controlled from the political centre, there was also an increased delegation of responsibilities for

(40) Savoie (1990), p. 136. See also the critical "autopsy" done by Ekos Research Associates and published by the Public Policy Forum, "Toward a New Consultative Process: Lessons from the Nielsen Task Force," Ottawa, submitted 29 October 1993. This report recommends a revised public review process early in a new government's mandate, with the prime minister taking "the leadership role in announcing a target for expenditure reduction before the review begins ..." (p. 50).

(41) Grady and Phidd (1993), p. 42.

implementation down the line to managers throughout the bureaucracy. Instead of just following elaborate systems of rules, they were to be given more "entrepreneurial" scope and flexibility, but also made more accountable for delivering the savings required by the government's expenditure control plans. This thrust reinforced a program in place since 1986 of Increased Ministerial Authority and Accountability (IMAA), wherein departments were to work together with Treasury Board to remove bureaucratic impediments to getting better value for money. It also coincided with the performance-oriented "new managerialism" of the "Public Service 2000" initiative (described in greater detail in the BP-375E).

One of the PS 2000 task forces was on "Resource Management and Budget Controls." Its 1990 discussion paper emphasized IMAA as freeing up managers' ability to get results. It also endorsed the concept of departments each getting their own operating budgets with full flexibility to shift around these funds "to achieve the most effective and efficient use of resources in delivering their programs."⁽⁴²⁾ For example, centralized controls on the number of "person-years" allowed would be eliminated, a move supported by the House of Commons public accounts committee. The government took steps to implement these recommendations in the 1992 and 1993 federal budgets.

Yet the fact remains that, for all the studies and organizational activity, and with some modest management improvements to be sure, the impact on the size of the expenditure budget has been very slight. Systems have gone in and out of fashion. Program evaluations have multiplied. Operating expenditures have been brought down. None of this has brought controlling huge increases in the deficit any closer. Macro-economic forecasts are as error-prone as ever. Senior ministers, especially regionally powerful ones, have many ways of getting more for what they want. Even the virtuous guardians of spending who report to Parliament may have contributed to the problem, which in turn parliamentarians have seemed powerless to fix.

Savoie's blunt assessment of a few years ago still holds and is worth pondering:

In 1970-3, the Office of the Auditor General had a budget of \$4.4 million and 298 person-years. By 1988-9, its budget had jumped to over \$48 million and 619 person-years.

(42) *Ibid.*, p.52-3. See also Johnson (1992), p. 20.

The auditor general ... has urged government to launch major initiatives [which have] included the establishment of the Office of the Comptroller General [*note: eliminated and reabsorbed into the Treasury Board secretariat in the Campbell government reorganization of June 1993], widespread evaluation of programs, and Improved Management Practices and Controls (IMPAC). While costly, it would be extremely difficult to argue that any of these initiatives has met with any degree of success. (...)

The Office of the Auditor General, then, has had little direct impact on the expenditure budget, other than probably increasing the overhead cost of government in the belief that it would contribute to more effective evaluation of ongoing programs. (..)

Similarly, parliament does not control spending in the sense of determining the levels of expenditure for particular departments, functions, and levels. It reviews government spending plans but rarely influences them. MPs by and large see little merit in developing an expertise in the program requirements of departments....

In any event, members are not privy to decisions made in preparing the expenditure budget.⁽⁴³⁾

Changing this situation in a substantive way would probably require truly radical rather than incremental reforms. But that in turn would run up against the unresolved problem of how to reconcile a new management regime focused on "bottom-line" concerns with traditions of parliamentary government and accountability -- in which the buck is supposed to stop with ministers, rather than reform-minded parliamentarians, cost-conscious public servants, or sharp-pencilled auditors. Johnson points out that the "normal" management accountability of public servants to their ministerial superiors is very different from the highly political relationship of responsible ministers to Parliament. "It follows that a frank 'here's what went 'right' and here's

(43) Savoie (1990), p. 36-7; and more generally, on the problematic of disciplining budget growth, chap. 13 "The Ghost of Spending Past: Revisiting the Guardians and Spenders." Doern argues that the answer is not necessarily to spend more resources on "improved" accountability systems, expecting them to pay back their costs in terms of increased overall economic efficiency. As he observes, "it is just plain difficult to assess entire accountability regimes against any particular effect": Doern (1993), p. 2.

what went 'wrong'" management report will not serve in the political forum."⁽⁴⁴⁾ Within the Westminster tradition that is part of Canada's constitution, parliamentary debate is normally supposed to be adversarial; for it to be otherwise would require a sea change in both constitutional structure and legislative habit and behaviour.

Then there are the political and democratic implications of various measures, driven by competitive and cost-effectiveness considerations, to devolve more executing responsibilities for the provision of government services to private-sector contractors or to departmental agencies operating with greater freedom and flexibility over their resource budgets. How much does a more "business-like" approach to delivering government programs weaken direct ministerial/parliamentary control over how tax dollars are used? After all, bureaucratic managers, much less independent ones, can never be accountable for how the public's money is spent in the same democratic way as elected politicians. On the other hand, if the public insists on holding the politicians responsible for virtually "error-free" administration, this will likely mean more burdensome centralized executive controls over managers -- resulting in passive risk avoidance which in turn risks stifling the innovation and entrepreneurship that could (but might not) save the government money. More about such dilemmas in the concluding section.

To bring the discussion of the current expenditure budget process to a close, it is worth noting the growing pressures to open up to public and parliamentary scrutiny the preparatory stages of budget-making, beyond the limited consultations with "stakeholders" which already take place. This would mean, as the Public Policy Forum argued in its reform paper of June 1993, reducing to an "essential minimum" the maximum concern for budget secrecy which now prevails. The Forum went on to propose: giving the House of Commons finance committee the power in practice "to effect substantial changes in budget bills after conducting public hearings"; early publication of the government's annual expenditure plan; a fixed annual cycle for presentation of budgets by government and for federal-provincial finance ministers' meetings; the enshrining of these procedural changes in legislation.⁽⁴⁵⁾

(44) Johnson (1992), p. 15.

(45) Public Policy Forum, "Making Government Work" (1993), p. 20-21.

Another government study on the subject was subsequently released by then finance minister Gilles Loiseleur in August 1993. It proposed that the formal budgetary cycle begin in the fall with the tabling in Parliament of a fiscal and economic paper updating the previous budget. This would be referred to the Commons finance committee (others could be involved as appropriate), which would report back before the end of the year. After extensive consultations, the budget and main estimates would normally be tabled (as has been recent practice) in February. This would be followed by post-budget consultations with "interested parties ... ensuring that a year-round process of consultation and feedback would be carried forward on a wide range of important issues deserving of continuing attention by Canadians and their governments."⁽⁴⁶⁾ It appears that the Chrétien government will follow a regular consultative cycle broadly similar to this. The current finance minister, Paul Martin, has initiated a new atmosphere of pre-budget openness. Four major public conferences were held outside of Ottawa in January 1994 during the period of intensive preparations for his first budget.

In addition to reforms aimed at the formal expenditure cycle, there have been many suggestions for enhancing tough publicly-accountable scrutiny of major components of government spending -- without which major savings are impossible to achieve. But where and how Parliament fits in to this critical examination is a matter for debate. Johnson, for example, although a strong defender of ministerial responsibility and ultimate parliamentary control, worries that program areas most in need of review (he specifically mentions "unemployment insurance, regional economic development, agricultural support programs, and immigration") might be left off the hook because they are considered too "hot" to handle in partisan political terms. Instead, he concludes:

In my ideal world there would be a number of independent entities devoted to the scrutiny of such well-established programs -- and of public-policy-generally. -- There would be Royal Commissions, appointed by the more courageous governments; and there would be independent, public policy research institutes, adequately endowed to be independent, and courageous enough to take on the sacred cows of public policy. And the Auditor General, in this

(46) Canada, "Opening the Budget Process," Minister of Finance, Ottawa, 10 August, 1993, p. 9.

ideal world, would have a mandate to commission effectiveness reviews from these independent institutes, or from selected experts who would have many of the same attributes of mini Royal Commissions. Both would be examining the effectiveness of major programs and policies, over an extended period of years and in a totally non-partisan way. The result would be to ensure that the raw ⁽⁴⁷⁾material for public debate was available to Parliament.

ACCOUNTABILITY, EFFICIENCY AND DEMOCRACY: CONVERGENCES AND TRADE-OFFS ON THE ROAD TO REFORM

There seem to be two dominant underlying motivations within Canadian society driving the belief that we must transform our governing institutions significantly in order to meet present challenges. The first, and probably hardest to ignore in the short term, is primarily fiscal and economic. Deficit-burdened governments and tax-burdened citizens are persuaded that public sector organizations must learn how to contract as well as expand, to cover more of their costs as well as to generate them, and generally to do better at delivering high quality services more efficiently, with fewer resources than have been available in the past.

The second motivation is primarily political. As questioning of governments' capacities has increased, so too have concerns that governments must become more responsive and accountable to the people whom they are supposed to represent and who pay their bills. Without means of democratic public participation in policy development to which the average citizen can relate, the jargon-filled "insiders'" world of bureaucratic government may appear to be a costly burden that has grown increasingly inaccessible. Hence, economic motivations for bringing government "under control" converge with political ones as doubts about the government's ability to exert financial control over its situation interact with doubts about the people's ability to exert democratic control over the government; both feed the desire for fundamental reform.

Compared to previous reform periods, however, this is an era marked by **diminishing** public expectations of the public sector. A group of essays on Parliament's role

(47) Johnson (1992), p. 40.

published in 1980 after the release of the Lambert report worried about the contrast between declining economic circumstances (the impact of the "energy crisis" was then uppermost) and "public expectations for an ever-increasing level of material well-being, combined with the pervasive assumption that government can or should play a large or even predominant role in its provision ..." This was taken to "mean that any political reforms are subject to a built-in failure factor."⁽⁴⁸⁾ But the dangers for reformers are now more likely to be from expectations that have fallen too low. After years of recessionary fatigue, with public bureaucracies on the defensive, how can confidence be restored that government can get anything right?

Paul Thomas observes that the "current period can only be described as one of reorientation. Not only have several decades of public sector expansion come to halt, but a fundamental re-examination of the role of governments is taking place. Public sector organizations are at the centre of the swirl of controversy over the future role of governments and therefore the change process is both more difficult and threatening to the people directly affected."⁽⁴⁹⁾ In this brave new world of flux, flexibility, and shrinking job security, the test of reorganizational adjustment seems to be not how bigger centrally-run bureaucracies can get better, but how smaller units, which may be public/private-sector hybrids, can relate more closely to differentiated public needs at the least cost. To use a communications analogy, it is akin to moving from a single-command mode to a multi-channel universe of expandable consumer choice. This is an exaggeration of course, since the old model of delivering government lingers on. But the momentum is definitely away from sole-source standardized bureaucratic structures.

American "reinventing government" guru Ted Gaebler sums up the new gospel in rather harsh, unsentimental terms:

Citizens don't care who delivers. They don't care if it is the provincial government, municipal government, federal govern-

(48) Colin Campbell and Harold D. Clarke, "Conspectus: Some Thoughts on Parliamentary Reform," in Clarke *et al.*, eds., *Parliament, Policy and Representation*, Methuen, Toronto, 1980, p. 317.

(49) Paul G. Thomas, "Coping with Change: How Public and Private Organizations Read and Respond to Turbulent External Environments," in F. Leslie Seidle, ed. *Rethinking Government: Reform of Reinvention?*, The Institute for Research on Public Policy, Montreal, 1993, p. 42.

ment, a consortium of governments, or not government at all. They will pick and choose among many competing vendors for services, and they want a seamless operation. We in government have always thought of ourselves as service providers, when in fact that is not relevant any more. And so we need to spend some time rethinking what our role and mission is ...⁽⁵⁰⁾

To the extent that this is even partly true, it carries major implications for Canadian democracy -- especially for the traditions of responsible government and parliamentary control, and for notions of the "public interest" (e.g., does it mean greater individual choice or preserving universal social standards?). The introduction of "entrepreneurial" approaches into a contracting public sector and/or contracting out of public policy delivery to private sector operators are quite different processes from, and indeed may be antithetical to, attempts directly to democratize governance institutions.⁽⁵¹⁾

More entrepreneurial autonomy implies a loosening of not only bureaucratic controls, but also political controls (ministerial and parliamentary) over managers who are then judged on how well they achieve efficiencies and get "results." The focus within the organization of government is therefore directed, as in the private sector, at performance with respect to the "bottom line." It is not aimed at increasing the democratic accountability of each stage in the processes whereby public policies are determined and expenditure decisions are implemented. Indeed efforts to enhance democratic regulation and review may (for example, in the case of environmental assessment procedures) be perceived as unduly costly, lengthy, and "inefficient." Yet issues of public transparency, participation, and ultimate political control are central to any discussion of a democratic reform of the system as a whole. Is there a most "efficient" way to achieve an effective democracy?⁽⁵²⁾

(50) Ted Gaebler, "Situating the Debate on Government Reform," in Seidle, *Rethinking Government: Reform or Reinvention* (1993), p. 27-8.

(51) This is argued by Gregory Albo, "Democratic Citizenship and the Future of Public Management," in Albo (1993), p. 17-33.

(52) Refer back to note 2, p. 3. Doern cautions that it is problematic to try to compare the "costs" and "benefits" of more democratic processes, or the relative efficiency, in economic terms, of different forms of democratic accountability: Doern (1993), *Political Accountability and Efficiency*.

Seidle links the goal of a more visibly public and democratic policy process to the strengthening of Parliament's role as a "more 'deliberative' body" capable of "contributing significantly to policy development and mobilizing consent":

This means the legislative process must be as open as possible, with sufficient opportunity for groups and interested Canadians to be heard. ... political leaders and senior public servants will need to recognize that building sufficient public support for policy changes may well take more time than they might wish.⁽⁵³⁾

It is important therefore not to disguise, under the salesmanship of new and improved management, the potential for significant trade-offs between a more democratic process of change and one that gives priority only to revenue and cost considerations. Some American observers are troubled as well that entrepreneurial values (of autonomy, personal initiative, secrecy, risk-taking) by themselves could conflict with values of democracy (of accountability, participation, openness) and long-term public stewardship. But not wanting to abandon the merits of either, they are looking for ways to reconcile these goals through "civic-regarding" forms of public entrepreneurship, perhaps accompanied by a democratization of the whole field of public policy formation in order to make the issues which are at stake accessible to citizen-based input.⁽⁵⁴⁾

There are diverse ideas for increasing citizen involvement in entrepreneurial types of reform. But there is not yet a clear road map for restructuring the operations of the civic public realm as a whole in a manner that could satisfy both the economic and the political motivations of reformers. If the goal is prudent, sound government that "works" (i.e., has the capacity to deliver what people want from it), then the most democratic route may not be the most effective or economically efficient in getting things done. It should not surprise, therefore, if opinions are divided on how best government institutions might simultaneously attain (or

(53) Seidle, "Interest Advocacy through Parliamentary Channels," p. 215.

(54) See "Democracy, Analysis, and Entrepreneurship," *Public Administration Review* Special issue, Vol. 52, No. 2, March/April 1992, especially Carl Bellone and Frederick Goerl, "Reconciling Public Entrepreneurship and Democracy," p. 130-34, and Peter deLeon, "The Democratization of the Policy Sciences," p. 125-29.

restore) their legitimacy and efficacy in the lives of citizens. For example, the noted theorist of development administration, Goran Hyden, has recently suggested in another context that political reformers move away from a preoccupation with democracy *per se* towards a "performance-oriented" study of governance regimes that:

comes closer to the literature on business management. In the same way as business management theory treats the organization as crucial to business success, the governance approach treats regime--the organization of political relations--as essential to social and economic progress.⁽⁵⁵⁾

This perspective is broader than the entrepreneurial approach to "reinventing government" alone. But its consideration of politics in relation to "governance" may be similarly problematic if it measures political and public sector success only in terms of efficient production of social and economic "outputs," and not in terms of the degree of accountability and democracy exercised over the entire process from the "input" side through to the impact of policies on citizens.

Turning back to the Canadian context, there is a danger, as well, that too much emphasis on organizing to fulfil bottom-line functional imperatives may minimize the unique political challenges that face public sector organizations in market democracies -- notably, in fulfilling the requirements of constitutional accountability, and in having been handed difficult (often unprofitable) tasks for the very reason that these could not be handled by the private sector. The new philosophies of public management and innovation in managing change, however attentive to market mechanisms, must in the end accommodate the world of political management, if they are to remain democratic. Cautions Paul Thomas:

Taken to an extreme, the advice to public sector managers to develop their own strategies and to decentralize authority could undermine ministerial responsibility. And ministers will not long pay the price of a loss to their political reputations when the mistakes or problems caused by more entrepreneurial bureaucrats become the focal point for opposition attacks.⁽⁵⁶⁾

(55) Goran Hyden, "Governance and the Study of Politics," in Goran Hyden and Michael Bratton, eds., *Governance and Politics in Africa*, Lynne Rienner Publishers, Boulder, Colo., 1992, p. 22.

(56) Thomas (1993), p. 56-7.

In a parliamentary democracy, elected politicians must bear real executive and public responsibility for the daily business of government. Cabinet cannot operate as a mere board of directors entrusting decisions to rational managers functioning in a businesslike planning environment. Nor are Members of Parliament likely to be content with arrangements in which, apart from very general directions, the actual operations of government would be freed from political controls and run as resourceful bureaucrats and contractors saw fit.

Nonetheless, given the motivations we described earlier, turning back to the status quo is not an option. For government, however organized, to "work" in a sustainable way, it must: be affordable; re-earn disaffected citizens' trust by responding to their demands, including those for increased participation; and develop capacities to be effective in solving problems (instead of being considered part of the problem). In these terms, the practical tasks of renewing government revolve around what Bruce Doern, in a seminal essay, refers to as the striking of "efficiency-democracy bargains ... by different elements of the political system." In particular, he identifies the following four as central:

- choices between the size of government and the composition of the services most likely to be in demand for the remainder of the 1990s;
- choices between the number of ministerial departments and the nature of representation and who is being represented;
- choices between the organizational separation of policy functions from operational delivery activities and traditional concept of ministerial responsibility for both policy and administration; and
- choices on how to enhance citizen respect for, and confidence in, basic public services given that citizens care not only about the input processes of government but also about the nature of the services delivered.⁽⁵⁷⁾

(57) G. Bruce Doern, "Efficiency-Democracy Bargains in the Reinvention of Federal Government Organization", in Susan Phillips, ed., *How Ottawa Spends 1993-1994: A More Democratic Canada?*, Carleton University Press, Ottawa, 1993, p. 204.

With regard to the first set of choices, Doern argues that there will be new demands for public investment in infrastructure, the environment, developing human resources, caring for an aging population, etc. Old-style controls on aggregate spending levels will not contain these pressures, so government will have to experiment to achieve major efficiencies in program delivery, perhaps involving quite radical rationalizations of resources and the use of "quasi-market" approaches. Restructuring in the economy and in social support systems will raise many extremely difficult and complex issues. Democratic debate is necessary to resolve how best to respond to evolving public needs at an affordable cost. Public budgeting, which now lumps capital with operating expenditures, also needs to overcome its bias against long-term investments that could enhance efficiency in creating the public goods that are sought through the democratic process.

On the second set of issues, Doern is among many who have argued the merits of action to cut the size of the political executive and the corresponding number of departments. He also sees as a reasonable option the two-tier approach, restricting Cabinet to senior ministers only. He would probably go further in departmental streamlining, cutting the number to 20 or less, though he has no illusions about some of the organizational "puzzles" to be sorted out. A principal aim is to have Cabinet concentrate on the big policy framework issues and key trade-offs, maximizing efficient use of ministers' time while minimizing transaction costs and capture by narrow special interests. This still leaves the democratic problem of how to represent adequately within policy determination a large range of legitimate interests and regional concerns. Doern suggests a strengthening of parliamentary roles, and such things as an elected Senate, may be the "necessary corollary" to tighter, more efficient Cabinet-level decision-making.⁽⁵⁸⁾ In this regard, it is significant to note the Chrétien government's promise to move swiftly to introduce a parliamentary reform package giving MPs greater input into the development of legislation and the expenditure budget.

The third set of choices, however, could challenge Cabinet-parliamentary lines of authority over, and responsibility for, how policy is implemented in operational terms. According to what Doern calls "the new public management, large departmental entities should

(58) *Ibid.*, p. 215.

be chopped up into a parent department and smaller operating units functioning with as close to a market-based financial information and pricing system as possible."⁽⁵⁹⁾ Obviously the aim is to achieve competitive efficiencies, though Doern sees the steps taken in Canada to date as too limited and timid to have much overall effect. The problem is how to introduce a greatly decentralized system without weakening democratic control over how government functions, and without losing sight of other values, traditions, and non-market goals which may be held to be especially desirable in the public service. As well, echoing Thomas's caution, Doern observes that: "a vigilant opposition in the House of Commons and in outside interest groups is unlikely, on a consistent basis, to play the game of separating policy from administration."⁽⁶⁰⁾

The final critical set of choices brings the public directly into the equation. This may also prove to be the most difficult challenge, given high levels of public alienation from government and dissatisfaction with services rendered -- problems not solved (and arguably made worse) by resorting to "bureaucracy bashing," instead of creating incentives for better performance and the means for remedy and redress. Moreover, the public sector cannot function democratically without public support and involvement, in addition to Cabinet-parliamentary and political-managerial accountability controls.

Doern emphasizes in his conclusion that the choices to be made about efficiency and democracy are "governed by the reality that government organization is embedded in a relationship with society rather than an abstract entity separate from it."⁽⁶¹⁾ Hence renewal cannot go forward on the basis of a perception of government as an expensive vending machine imposing its services on an increasingly reluctant public. Effective system-wide reform means nothing less than repairing the bridges (some of them parliamentary) that ought to connect the political managers to their citizen electorates, and the public bureaucracies to the members of civil society that they are supposed to benefit. And it means doing so in ways that recognize the other reality of severe budgetary constraints.

(59) *Ibid.*, p. 216.

(60) *Ibid.*, p. 218.

(61) *Ibid.*, p. 222.

In short, out of all this there has to be some basis -- one that is fiscally feasible and sustainable -- for coming to democratic agreements about **what** Canadians want their federal government to do, and **how** they want the public sector to do its job. One might hesitate to refer to this as constructing new forms of "social contract," but in a sense this is exactly what political responsibility for government reform and reorganization is all about. And from the recommendations of the Public Policy Forum for "making government work," to the musings of the Hon. Marcel Massé about "getting government right," there is also wide agreement that the reform enterprise should proceed from prior public consultations that build informed consent for necessary changes.

To approach the shape of government as essentially a matter for management -- something to be negotiated by governments and bureaucrats amongst themselves -- would probably be fatal to the intent of the whole exercise. This applies to the toughest areas for decision, from defining appropriate roles to bringing deficits under control. Reflecting on past constitutional battles, Public Policy Forum chair Arthur Kroeger suggests that:

In the eyes of many, the problem is not that one level of government has too many powers in relation to another, but that governments in general have too much power and people have too little. Consequently, to transfer a function from one government to another [or we note: within government from one department to another] may accomplish very little from the public's point of view if both are equally locked into traditional ways of operating.

To put more powers in the hands of people is as difficult to do as it is ⁽⁶²⁾easy to talk about. But governments have no choice except to try.

With respect to future expenditure battles, the recent report submitted to the Forum recommends, in order to avoid repeating the mistakes of the Nielsen task force, developing a communications strategy that includes: "insistence on transparency, openness, consultation and the priority of the general public interest; simultaneous reporting and shared

(62) Arthur Kroeger, "Getting the Consent of the Governed," *Policy Options*, December 1992, p. 12. Kroeger notes that this has become a much more complicated task in an "information age." See also Steven Rosell *et al.*, *Governing in an Information Society*, Renouf Publishing Co., Ottawa, 1992.

public debate; ... a synthesis of all trade-offs rather than a stand alone analysis of individual expenditure areas."⁽⁶³⁾ The last point deserves emphasis, since as Kroeger has observed from the benefit of long experience, exhorting governments to "listen to the people" is not enough. "Government almost always involves a balancing of conflicting interests. ... Because of such conflicts, any consultative process which is to have any chance of success must in some way take cognizance of the need for trade-offs."⁽⁶⁴⁾

What is crucial to the **democratic legitimacy** of the process is that these trade-offs are made explicitly and openly, in the full light of public debate. Reforming how Ottawa organizes and spends is the business of Parliament and the public, not just the business of government to determine. Change is a must, required by considerations of efficiency, accountability and democracy. Canadians, Doern contends, will not be assisted in this task by preconceived ideological stances that are simply either "pro" or "anti" government or market-based approaches.⁽⁶⁵⁾ First, however, citizens need to know that, this time, they will not be on the outside looking in; this time, politicians will not proceed without giving them a full opportunity to put forward their own views.

As the federal government ponders the next steps of reform and reorganization, Seidle's conclusion is instructive:

Most Canadians do not want to tear down government; but they certainly want simpler, more responsive and more open government. Public involvement in previous reviews of government organizations and programs has been limited, but this will no longer do. To encourage public response ... consultations [Seidle recommends using a broadly representative national commission] should be innovative Techniques such as electronic town hall meetings and a 1-800 line (both used by the Spicer Commission, which had a tight deadline) could supplement public hearings. Above all, consultations must not be window-dressing, for both public support and sustained political will are essential to reshaping the federal government for a new era.⁽⁶⁶⁾

(63) Ekos Inc., "Toward a New Consultative Process" (1993), p. 50.

(64) Kroeger (1992), p. 12.

(65) Doern, "Efficiency-Democracy Bargains" (1993), p. 225.

(66) Seidle, "Reshaping the Federal Government: Charting the Course" (1993), p. 29.

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